

Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 AID-05 EB-07 COME-00 TRSE-00
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FM AMEMBASSY DACCA

TO SECSTATE WASHDC PRIORITY 5353

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PASS TO OPIC

PASS TO AID

E.O. 11652: N/A

TAGS: EINV, EFIN, BG, US, OPIC

SUBJECT: COOLEY LOANS AND BELBAGCO COMPENSATION

REFS: A. DACCA 3560, B. STATE 154258, C. STATE 156859,
D. STATE 139404

1. ON JULY 11 EMBOFFS AND RLA MET WITH SECRETARY, MINISTRY OF CABINET AFFAIRS A. MOMEN KHAN; SECRETARY, MINISTRY OF INDUSTRIES MAJID-UL-HAQUE; JOINT SECRETARY, MINISTRY OF INDUSTRIES ZAINUL ABEDIN; AND OTHER BDG OFFICIALS TO DISCUSS FINAL PAYMENTS OF AMOUNTS DUE ON TWO COOLEY LOANS WHICH BDG HAD EARLIER AGREED TO PAY (REF A). BELBAGCO COMPENSATION WAS ALSO DISCUSSED.

2. COOLEY LOANS:

A. BANGLADESH FABRICS: IN RESPONSE TO EMBASSY'S REQUEST ACCOMPANIED BY LETTER REQUESTING IMMEDIATE PAYMENT OF ARREARS AS OF JULY 1, 1977 PER FIGURES ON ACCOUNTING STATEMENTS FURNISHED BY USAID WASHINGTON, BDG SIDE RESTATED COMMITMENT TO PAY. HOWEVER, THEY APPEALED
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FOR TEMPORARY RESCHEDULING RATHER THAN IMMEDIATE LUMP SUM PAYMENT, PLEADING LIQUIDITY PROBLEMS AT BEGINNING OF THE NEW FISCAL YEAR. EMBOFF STRESSED USG WISH FOR IMMEDIATE PAYMENT OF ENTIRE AMOUNT, CITING DEPARTMENT'S INSTRUCTIONS (REF B), BUT AFTER LONG DISCUSSION AGREED TO SUBMIT FOLLOWING BDG PROPOSAL TO WASHINGTON: PAYMENT OF TWO INSTALLMENTS ON OR BEFORE JULY 31, 1977,

AND PAYMENT OF FINAL INSTALLMENTS, INCLUDING FINAL PAYMENT NOW DUE AUGUST 1, 1977, ON OR BEFORE DECEMBER 31, 1977.

B. BANGLADESH SERVICES: BDG SIDE REQUESTED TEMPORARY RESCHEDULING OF SERVICES PAYMENT WHILE ACCEPTING LIABILITY. AFTER LENGTHY EXCHANGE, EMBASSY SIDE AGREED TO SUBMIT FOLLOWING PROPOSAL TO WASHINGTON: PAYMENT OF FOUR INSTALLMENTS ON OR BEFORE SEPTEMBER 15, 1977, AND PAYMENT OF NINE INSTALLMENTS, INCLUDING THE INSTALLMENT THEN DUE, ON OR BEFORE MARCH 15, 1978. BDG SIDE CLAIMED THAT WHEREAS ALL BANGLADESH FABRICS ARREARS WOULD BE PAID OUT OF GENERAL REVENUES BY DECEMBER 31, THE SERVICES LOAN WAS PAYABLE FROM THAT STATE CORPORATION'S ACCOUNT, AND CASH FLOW PROBLEMS WOULD MAKE IT VERY DIFFICULT TO PAY ENTIRE ARREARS BEFORE MARCH 15, 1978.

3. IN DEBATE ON INTEREST ON COOLEY LOANS, BDG SIDE CHALLENGED OUR COMPUTATION OF INTEREST ON INTEREST, CLAIMING THAT NORMALLY ONLY SIMPLE INTEREST IS DUE. THEY AGREED, HOWEVER, TO BE BOUND BY LOAN AGREEMENTS ON THIS QUESTION.

4. ACTION REQUESTED. PLEASE ADVISE PROMPTLY: (1) ARE BDG PROPOSALS FOR PAYMENT OF FABRICS AND SERVICES LOANS ACCEPTABLE?; (2) IF SO, SEND PRINCIPAL AND INTEREST LIMITED OFFICIAL USE

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PAYABLE ON PROPOSED DATES, AND CITATION OF LOAN TERMS OR OTHER AUTHORITY SUPPORTING COMPUTATION OF INTEREST ON INTEREST.

5. IF BDG PROPOSALS FOR LOAN REPAYMENTS ARE ACCEPTABLE, MISSION WILL PREPARE AMENDED LOAN AGREEMENTS TO REFLECT NEW PAYMENT SCHEDULES.

6. BELBAGCO. AFTER RESTATING IMPORTANCE USG PLANS ON EARLY AND SATISFACTORY COMPENSATION OF BELBAGCO, EMBASSY SIDE REFERRED TO QUESTIONS CONCERNING VALUATION IN JUNE 20, 1977 OPIC LETTER TO ZAINUL ABEDIN (REFS C AND D). BDG SIDE INSISTED THAT PAYMENT IN EFFECTIVELY DEVALUED TAKA WAS JUSTIFIED, CITING SIMILAR METHOD OF ESTIMATING LIABILITY IN OTHER NATIONALIZATION COMPENSATION PAYMENTS TO JAPANESE, U.K. AND OTHER FIRMS. ASKED ABOUT MARCH 26, 1972 AUDIT REPORT OF M.M. RAHMAN REFERRED TO IN APRIL 25, 1977 ABEDIN LETTER TO EMBASSY, THEY SAID THESE RECORDS ARE NO LONGER AVAILABLE.

7. ACTION REQUESTED. HAVING MADE NO FURTHER PROGRESS ON VALUATION QUESTION, EMBASSY AGREES IT IS TIME FOR

OPIC REPS TO VISIT DACCA TO NEGOTIATE FINAL BELBAGCO
SETTLEMENT. BDG IS PREPARED TO MEET WITH OPIC REPS
ANYTIME WITHIN NEXT FEW WEEKS. PLEASE SEND NAMES OF
OPIC OFFICERS AND TRAVEL PLANS.
BERGESEN

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Message Attributes

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Copy: SINGLE
Sent Date: 12-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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